

Australian farmers testify to royal commission on predatory activities of banks

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Hearings over the past week at Australia's Royal Commission into the banks have revealed the destructive impact on farmers and rural businesses of the predatory activities of some of the country's largest financial institutions.

Like the commission as a whole, called by the federal Liberal-National Coalition government, the hearings on farmers are a desperate attempt at political damage control, and are aimed at assuaging public anger, without impinging on the profits of the banks.

Underscoring their perfunctory character, the hearings on farmers had been scheduled to last just one week, and to hear only a handful of hundreds of public submissions. The inquiry in Brisbane was extended for several days last week, after widespread opposition from farmers. Further sessions may be held in Darwin this week.

Despite the limited extent of the hearings, they have further exposed the ruthless practices of Australian banks, which are among the most profitable in the world.

Farmers have testified that their businesses were devalued overnight, that the terms of their loans were changed without notice and that they were forced into near-destitution through foreclosures. The testimony follows similar damning evidence at earlier hearings into the treatment of small businesses and franchises, as well as workers and mortgage-holders.

Around one tenth of the submissions to the inquiry focused on ANZ bank's acquisition of Landmark Financial Services' loan book in 2010, a deal worth \$2.3 billion, covering over 7,000 separate loans. Much of the testimony last week was by affected customers.

Charlie Phillott, a life-long grazier in central-west Queensland, reported that in early 2014, ANZ ordered his family off the Carisbrooke Station, which they had run since the 1960s, after devaluing it due to drought.

The bank deemed the property an "unviable risk," despite the fact that Phillott had never missed a mortgage

repayment. He was only able to return in 2015, after a public campaign and the threat of legal action, forced the bank to back down and return him the property's title deeds.

Former Tasmanian cattle farmers, Michael and Dimity Hirst, testified that they were forced from their property weeks before Christmas, at the end of 2013, triggering a "nervous breakdown" in the family, and a protracted legal battle with ANZ.

The Hirsts had suffered substantial financial losses in 2009 and 2010, in part as a flow-on effect of the collapse of Tasmania's woodchipping industry. In 2011, ANZ reduced the valuation of the business by 40 percent, while substantially increasing repayments. The bank had not revealed to the couple that in internal documents it had expressed disapproval of their investment model, or that it had sought third-party valuations of the business.

The Hirsts were forced to settle their debt by selling the farm, its equipment and livestock. In 2017, ANZ paid them \$684,000 and wrote-off the outstanding debt, after protracted legal negotiations.

In 2010, other former Landmark customers, Arthur and Rhonda Cheesman, lost their home and lentil business in western Victoria. ANZ had given them two months to sell their property under an asset management program, and rejected four alternative offers to settle the debt, without the Cheesmans having to surrender their house.

The bank pressed ahead with demands that the house be sold, despite internal documents showing it would lower the value of any sale, as buyers were seeking only the land for agricultural enterprise.

In late 2013, Western Australian sheep farmers Stephen and Janine Harley received a letter from ANZ, advising that they were defaulting on their loan and had just six months to pay off \$2.5 million in debt. They received the document three weeks after they informed the bank that Stephen had suffered a major heart-attack.

The Harleys had raised \$1.6 million of the debt by the deadline, by selling five of their nine land lots. ANZ, however, rejected their request for a nine-month extension. Instead, it sold the remaining four lots for \$570,000 less than their market valuation.

At the royal commission hearings, ANZ representatives offered worthless apologies to some of those affected by their practices. They declared that the bank's "culture" was changing. The breadth of cases, however, makes clear that asset-fire sales, abrupt revaluations and callous foreclosures were integral to the bank's rural business model.

Other testimony made clear that the same was the case for other banks. Wendy Brauer, a northern Queensland grazier said her family was in a "dire financial situation" after their property was badly affected by 2011 floods.

Brauer requested an additional \$300,000 loan that had earlier been offered her by Rabobank. The new bank manager, however, stated she would need to pay back \$3 million within two years—a condition that she was not previously told of.

Testimony from Rabobank representatives revealed that the bank linked staff bonuses to the number of loans they secured, including to people who had little or no chance of being able to service them. Similar practices were revealed at Bankwest and other financial institutions.

Bob Katter, a northern Queensland federal member of parliament, and other right-wing populist politicians, have postured as champions of the farmers. They have presented the activities of the banks as a product solely of unscrupulous individuals, and of institutions that do not "understand" regional and rural life.

Katter and his ilk are seeking to cover-up the fact that the plight of farmers is another expression of a systemic crisis of the capitalist system, which they defend, and the resulting ever-greater dominance of finance capital. Amid a protracted slump in the real economy, the shift around the world has increasingly been to rampant speculation and predatory restructuring activities to bolster the fortunes of a new financial oligarchy.

The financialization of the economy, and the collapse of the old mechanisms of national regulation, as a result of the globalisation of production, has left farmers ever more vulnerable to economic headwinds and reliant upon the banks.

During the 1980s and 1990s, the Labor governments of prime ministers Bob Hawke and Paul Keating deregulated the money markets and privatised the Commonwealth Bank of Australia. This was part of a broader agenda,

which included destruction of large swathes of manufacturing, and tens of thousands of jobs, to boost the "international competitiveness" of Australian businesses.

An article in the *Conversation* last week noted that as an aspect of this program: "The removal of single-desk marketing boards like the Australian Wheat Board, which protected farms from price fluctuations, increases the impact of price changes. Farmers are now expected to purchase financial products to reduce the risk of this volatility." It stated that, as part of the government privatisation agenda, drought relief had been "reoriented to rely on market-based instruments, such as loans from banks rather than grants from governments."

As a result of the "deregulation of the banking system," it said, many loans to farmers are on the same terms as businesses that do not have to deal with the same seasonal fluctuations and environmental variations. These pressures are compounded by the growing concentration of the farming sector, which has left small and middle farmers vulnerable to takeovers, on unfavourable terms, by the major agribusinesses.

Since Hawke and Keating, successive governments have implemented pro-business policies that have continued to boost the dominance of the banks. As a result, the country's seven largest authorised deposit-taking institutions (including the big four banks) hold roughly \$4.6 trillion in assets—around two and a half times the size of Australia's \$1.8 trillion economy, as measured by nominal gross domestic product.

The banks exploit this massive economic power to dictate terms to small businesses and customers with callous indifference to the personal and social consequences.



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